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CITY OF HARRISON
DOWNTOWN DEVELOPMENT AUTHORITY
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS
DECEMBER 31, 2008

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INDEPENDENT AUDITORS' REPORT

February 11, 2009

Members of the Authority Board
City of Harrison
Downtown Development Authority
Clare County, Michigan

We have audited the accompanying financial statements of the special revenue fund of the City of Harrison, Downtown Development Authority, Clare County, Michigan, a component unit of the City of Harrison, as of and for the year ended December 31, 2008, as listed in the index. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the special revenue fund and do not purport to, and do not present fairly, the financial position of the City of Harrison, Downtown Development Authority, Clare County, Michigan, as of December 31, 2008, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the special revenue fund of the City of Harrison, Downtown Development Authority, Clare County, Michigan as of December 31, 2008, and the changes of financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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CITY OF HARRISON
DOWNTOWN DEVELOPMENT AUTHORITY
Balance Sheet
December 31, 2008

	Special Revenue Fund
	<hr/>
<u>ASSETS</u>	
Taxes receivable	\$ 4,609
	<hr/>
<u>FUND BALANCE</u>	
<u>Fund Balance</u>	
Unreserved	4,609
	<hr/>

See accompanying notes to financial statements.

CITY OF HARRISON
DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended December 31, 2008

	Special Revenue Fund
<u>Revenues</u>	
Taxes	<u>\$ 4,609</u>
Excess of revenues over expenditures	4,609
Fund balance - beginning of year	<u>0</u>
Fund balance - end of year	<u><u>\$ 4,609</u></u>

See accompanying notes to financial statements.

CITY OF HARRISON
DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Authority's Operations

The City of Harrison, Downtown Development Authority (Authority) is a component unit of the City of Harrison and operates under the supervision and control of a Board consisting of the Chief Executive Officer of the City of Harrison, and seven members as provided by Act 197. The Authority was established to serve all the citizens of the government.

Basis of Presentation

The financial activities of the Authority are recorded in separate funds and account groups, categorized and described as follows:

Special Revenue Fund - This fund is used to account for the specific revenue sources (other than special assessments) that require separate accounting because of legal or regulatory provisions or administrative action.

Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

1. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the County tax rolls.

2. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
3. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

CITY OF HARRISON
DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2008

NOTE 2 –BUDGET

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General Fund and all special revenue funds prior to the expenditure of monies in a fiscal year.

P.A. 621 of 1978, Section 18(1), as amended, provides that local units shall not incur expenditures in excess of the amount appropriated. The Authority adopted the budget for the year ended December 31, 2008 after the beginning of the fiscal year, and is in violation of the Act.

NOTE 3 - CASH AND INVESTMENTS

Investments

The Authority has adopted a formal investment policy consistent with that authorized by Michigan Law. The Authority's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk. The Authority did not have funds in investments at December 31, 2008.

Cash

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2008, the amount exposed to custodial credit risk could not be determined since the Authority participates in the government's common cash. The federal depository insurance is not specifically allocated to their balance.